

Message Text

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SUBJECT: ECONADS: ECONOMIC COMMITTEE WORK PROGRAM ON ECONOMIC
BALANCE BETWEEN NATO AND WARSAW PACT

REF: USNATO 3290; AC/127-WP/431 DATED 16 JUNE 1975

USOECD PLEASE PASS EXCON FOR PAPENDORP

PURSUANT TO ECONOMIC COMMITTEE'S PREPARATION--AT US INITIATIVE--
OF REPORT ON SECURITY AND POLITICAL IMPLICATIONS OF ECONOMIC
SITUATION FOR ALLIANCE (AC/127-D/508, DATED 23 APRIL 1975)
ECONOMIC DIRECTORATE HAS DRAWN UP PROPOSED WORK PROGRAM (REF
DOC) WHEREBY COMMITTEE WOULD KEEP SUBJECT UNDER REVIEW. COMMITTEE
WILL INITIATE DISCUSSION OF WORK PROGRAM OUTLINE AT ITS 26 JUNE
1975 MEETING (SEE SEPTTEL). GUIDANCE REQUESTED. FOLLOWING IS TEXT
OF REF DOC. BEGIN TEXT:

AC/127-WP/431

THE ECONOMIC BALANCE
NATO-WARSAW PACT
OUTLINE

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1. PURPOSE

THE PURPOSE OF THE EXERCISES:

(A) TO REVIEW AT REGULAR INTERVALS THE ECONOMIC COMMITTEE'S

REPORT ON THE SECURITY AND POLITICAL IMPLICATIONS OF THE ECONOMIC SITUATION FOR NATO AND THE WARSAW PACT, IN ACCORDANCE WITH THE INTENTIONS EXPRESSED IN AC/127'D/508 OF 23RD APRIL, 1975;
(B) TO ASSEMBLE DATA ON THE RESPECTIVE SITUATIONS OF THE TWO ALLIANCES WHICH WOULD BE READILY AVAILABLE SHOULD THE SITUATION REQUIRE IT;
(C) TO RE-ASSESS THE BALANCE OF ECONOMIC STRENGTH IN THE TWO AREAS RELATIVE TO EACH OTHER AND AS AFFECTED BY THEIR RELATIONS WITH THE REST OF THE WORLD.

11. METHOD

METHOD TO BE FOLLOWED:

- (A) TO USE SELECTED STATISTICAL INDICATORS (ECONOMIC AND FINANCIAL), AS WELL AS OTHER SOURCES OF INFORMATION SUCH AS POLICY DECLARATIONS, SOCIAL TRENDS, APPRECIATIONS BY INTERNATIONAL ORGANIZATIONS AND SPECIALISED NATIONAL BODIES, ETC;
- (B) TO TAKE 1973 AS THE BASE YEAR(1) FOR COMPARISON WITH SUBSEQUENT PERIODS;
- (C) ON THE BASIS OF THE ABOVE TO EVALUATE THE SIGNIFICANCE OF THE CHANGES IN THE TRENDS OBSERVED IN THE COUNTRIES OF THE TWO ALLIANCES AND MORE SPECIFICALLY:
 - (I) IN THE NATO AREA - AS A WHOLE AND SUB-DIVIDED AS FOLLOWS:
 - NORTH AMERICA
 - NATO INDUSTRIALISED EUROPEAN COUNTRIES
 - NATO LESS INDUSTRIALISED COUNTRIES;

(1) 1973 MARKS A TURNING POINT FOR WORLD ECONOMY, WHICH SINCE THE END OF THAT YEAR HAS BEEN GOING THROUGH A SERIES OF SUBSTANTIAL CHANGES

- (II) IN THE WARSAW PACT AREA - AS A WHOLE AND SUBDIVIDED AS FOLLOWS:
 - USSR
 - THE MORE INDUSTRIALISED EAST EUROPEAN COUNTRIES (GDR, CSSR, POLAND AND HUNGARY)
 - THE LESS INDUSTRIALISED (ROMANIA AND BULGARIA);
 - (D) TO ASSESS THE IMPLICATIONS FOR THE ECONOMIC BALANCE OF CHANGES IN:
 - TERMS OF TRADE, MONETARY AND RESERVE POSITIONS OF NATO
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COUNTRIES, WARSAW PACT COUNTRIES AND THE REST OF THE WORLD;

- EAST-WEST TRADE (DISTINGUISHING BETWEEN USSR AND EASTERN EUROPE);
- ECONOMIC RELATIONS BETWEEN THIRD COUNTRIES AND NATO COUNTRIES ON THE ONE HAND, AND WARSAW PACT COUNTRIES ON THE OTHER. THESE THIRD COUNTRIES MIGHT BE GROUPED AS FOLLOWS:
 - (I) OECD COUNTRIES NOT BELONGING TO NATO(1);
 - (II) CHINA;
 - (III) REST OF THE WORLD (DISTINCTION TO BE MADE BETWEEN OIL AND OIL PRODUCING COUNTRIES)(1).

111. THE INDICATORS

THE STATISTICAL INDICATORS PROPOSED FOR NATO AND WARSAW PACT COUNTRIES ARE SET OUT IN ANNEXES 1 AND 11. IT SHOULD BE NOTED THAT THE DATA FOR THE TWO AREAS NEED NOT BE THE SAME, NEITHER SHOULD THEY BE NECESSARILY COMPARABLE TO EACH OTHER AS THE PURPOSE OF THE EXERCISE IS MAINLY TO ASSESS THE FACTORS AFFECTING ECONOMIC AND MILITARY STRENGTH (ACTUAL AND POTENTIAL) WITHIN EACH OF THE TWO ALLIANCES(2).

(1) FOR OBVIOUS REASONS ATTENTION WILL ONLY BE CONCENTRATED ON PARTICULAR COUNTRIES OF SPECIAL IMPORTANCE IN THIS CONNECTION

(2) IN THIS STUDY EMPHASIS WILL BE LAID IN EXAMINING INDICATORS ON MARGINAL CHANGES LIKELY TO SHOW EITHER AN ALTERATION IN OR AN ACCELERATION IN OF THE TREND. THIS DOES NOT MEAN THAT NO ACCOUNT WILL BE TAKEN OF THE RESPECTIVE POTENTIALS AS THEY EXIST AT THE TIME OF EACH REVIEW (POPULATION, LAND AREA, NATURAL RESOURCES, STAGE OF DEVELOPMENT, ETC.)

AS REGARDS THE INDICATORS TO BE USED IN THE CASE OF THIRD COUNTRIES, THESE WOULD BE DRAWN FOR: (I) TRADE FROM PUBLISHED NATIONAL AND INTERNATIONAL STATISTICS, (II) AID (ECONOMIC AND MILITARY) FROM REPORTS RECEIVED FROM DELEGATIONS ON COMMUNIST PENETRATION AND FROM OECD REPORTS AS REGARDS WESTERN COUNTRIES ASSISTANCE, (III) OUTPUT AND PRICES OF PETROLEUM AND CRITICAL RAW MATERIALS FROM UP TO DATE SOURCES CURRENTLY AVAILABLE.

IV. APPRECIATION

(A) IDENTIFY DEVELOPMENTS (FACTORS, SECTORS, GEOGRAPHICAL LIMITED OFFICIAL USE
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AREAS) LIABLE TO AFFECT THE ECONOMIC BALANCE;
(B) EXPLAIN THE REASONS BEHIND THE CHANGES;
(C) APPRAISE THE ECONOMIC AND SECURITY IMPLICATIONS.

V. PRESENTATION OF THE FINDINGS

(A) FOR EACH NATO AND WARSAW PACT COUNTRY ESTABLISH SETS OF ECONOMIC INDICATORS AND SUPPORTING RECORDS (BACKGROUND MATERIAL FOR USE BY ECONOMIC DIRECTORATE) WHICH COULD BE USEFUL BOTH FOR ECONOMIC ASSESSMENTS AND TO EVALUATE THE RELATIONS BETWEEN ECONOMIC CAPABILITIES AND DEFENCE REQUIREMENTS;
(B) PREPARE COMPREHENSIVE DATA AND EVALUATIONS FOR EACH OF THE GROUPS OF COUNTRIES REFERRED TO UNDER 11 ABOVE;
(C) WRITE GENERAL ASSESSMENT (IN PRINCIPLE TWICE YEARLY), WITH SUMMARY AND CONCLUSIONS.

VI. TIME SCHEDULE OF THE EXERCISE

SUBJECT TO AVAILABILITY OF DATA AND CONTRIBUTIONS FROM NATIONAL DELEGATIONS, THE FIRST EXERCISE SHOULD BE FINALISED IN THE AUTUMN; FOLLOWING REPORTS WOULD BE ISSUED, IN PRINCIPLE,

AT SIX MONTHLY INTERVALS.

END TEXT.

SUGGESTED TABLES PREPARED BY ECONOMIC DIRECTORATE FOR PRESENTING
DATA ON NATO AND WARSAW PACT COUNTRIES, RESPECTIVELY, ARE ANNEXED
TO REF DOC.

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